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National Dairy Products Corporation

NEW YORK

ANNUAL REPORT

1931

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National Dairy Products Corporation

120 BROADWAY

NEW YORK

DIRECTORS

Charles R. Bowman	J. M. Harding	George F. Rand
Henry N. Brawner, Jr.	Vernon F. Hovey	Edward E. Rieck
Henry W. Breyer	Jos. L. Jones	Wilbur S. Scott
Frederick J. Bridges	J. L. Kraft	A. A. Stickler
N. J. Dessert	Harold M. Lehman	C. Henderson Supplee
Alfred A. DuBan	William F. Luick	Horace S. Tuthill
C. Wesley Ebling	H. A. McDonald	L. A. Van Bomel
Joseph Gilfillan	Thos. H. McInnerney	Sidney J. Weinberg
Robert S. Gordon	E. J. Mather	Frank A. Wills
B. S. Halsey	Joseph Potts	Henry N. Woolman

EXECUTIVE COMMITTEE

Thos. H. McInnerney

Vernon F. Hovey	C. Henderson Supplee
Wilbur S. Scott	L. A. Van Bomel

OFFICERS

President	Thos. H. McInnerney
Vice-President	Frederick J. Bridges
Vice-President	Vernon F. Hovey
Vice-President	Wilbur S. Scott
Vice-President	C. Henderson Supplee
Vice-President	L. A. Van Bomel
Treasurer	A. A. Stickler
Secretary	Ford Hibbard
Asst. Secretary	G. W. McGhee
Comptroller	Thos. K. Carnes
Sales Manager	E. J. Finneran

TRANSFER AGENT

Bankers Trust Company
New York, N. Y.

REGISTRAR

The Chase National Bank
of the City of New York,
New York, N. Y.

Counsel	Sullivan & Cromwell
Auditors	Price, Waterhouse & Co.
Executive Offices	*120 Broadway, New York, N. Y.*

National Dairy Products Corporation

New York, N. Y., March 18, 1932.

To the Stockholders:

There is submitted herewith the annual report of National Dairy Products Corporation for the year ending December 31, 1931, as certified by Messrs. Price, Waterhouse & Co.

The net profits for the year, after interest and Federal taxes, amounted to $22,547,973.52, and, after allowing for payment of preferred dividends, were equivalent to $3.47 per share on the 6,263,150 shares of common stock outstanding at the end of the year, as compared with $4.10 per share for the previous year.

Inasmuch as the companies acquired during the year were small and their operations prior to dates of acquisition were negligible, the ordinary form of statement of profit and loss has been adopted for the report this year. The acquisition of additional stock of Southern Dairies, Inc. during the year increased your Corporation's holdings in that company to approximately 90% of its entire outstanding stock. Therefore, instead of carrying our interest in that company as an investment, as heretofore, the accounts of Southern Dairies, Inc. for the entire year have been consolidated in this report. The goodwill of Southern Dairies, Inc. and of the minor companies purchased during the year has been written off against capital surplus. Otherwise there has been no change in your Corporation's established procedure in bookkeeping and accounting. Our policy of writing off depreciation and of maintaining at all times our properties in excellent physical condition has been continued, charges during the year in respect of repairs, maintenance and depreciation aggregating $20,349,068.90.

The year 1931 saw a further general decline in the price level of all dairy products. The reduction in price to the farmer producers was not in proportion to the extreme reduction in price of other farm products. This fact, combined with the advantages to the farmer of a continuous cash income, resulted in the greatest production of milk in the history of the country. In order that it could absorb its proportionate part in the decreased sales price, not passing the entire decrease on to the farmer producer, your Corporation concentrated its efforts throughout the year on plant efficiencies and economies, increasing delivery load factors and consolidating operations with gratifying results.

The attached balance sheet reflects your Corporation's strong current position at December 31, 1931, the Corporation having $3.46 of current assets for every $1.00 of current liabilities. The

cash item of $23,446,407.57 is after deduction of $4,267,439.50 for the dividends paid on January 2, 1932. In addition to purchasing and retiring $2,462,000 of its 5¼% Gold Debentures due 1948 in accordance with sinking fund requirements, your Corporation purchased $1,472,000 principal amount of these debentures during the year which were held in the treasury.

Our list of stockholders is now in excess of 61,000 or an increase of about 15,500 over the previous year, and we are pleased to observe that the number of employee stockholders has likewise increased.

The Board of Directors and officers desire to take this opportunity to thank the employees and executives of the subsidiaries of your Corporation in charge of operations, whose efforts have contributed so substantially to the excellent results attained by your Corporation for the year 1931.

By order of the Board of Directors,

THOS. H. MCINNERNEY
President

National Dairy Pr

AND SUBSIDIA

CONSOLIDATED BALANCE SHEET

Assets

Current and Working Assets:			
Cash in banks and on hand		$ 23,446,407.57	
Marketable securities at cost, less reserve for market depreciation		117,942.50	
Notes receivable	$ 3,236,021.02		
Accounts receivable	19,378,719.02		
	$22,614,740.04		
Less—Reserve for doubtful notes and accounts	2,602,484.35	20,012,255.69	
Inventories at cost or market, whichever is lower		14,050,817.52	
Miscellaneous supplies		3,101,193.27	
Receivable from employees (including accounts secured to extent of $1,646,236.89 by collateral at market value)		2,522,296.50	
Cash surrender value of life insurance		284,704.50	
			$ 63,535,617.55
Investments and Advances:			
Company's common stock—8,497 shares at cost		$ 208,747.13	
Investments in controlled companies and miscellaneous securities		2,600,253.98	
Advances		1,092,758.97	
			3,901,760.08
Capital Assets:			
Land, buildings, machinery and equipment on basis of cost or sound values as appraised with additions at cost	$178,818,931.26		
Less—Reserves for depreciation	49,781,445.05		
			129,037,486.21
Deferred Charges:			
Prepaid taxes, insurance, interest, etc		$ 1,391,509.12	
Sundry expenses		292,033.56	
			1,683,542.68
Goodwill Purchased			22,391,853.64
			$220,550,260.16

TO THE STOCKHOLDERS OF
NATIONAL DAIRY PRODUCTS CORPORATION.

We have made an examination of the books and accounts of National Dairy Products Corporation and consolidated balance sheet and the relative statements of profit and loss and surplus fairly set forth

56 Pine Street,
New York,
March 16, 1932.

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RY COMPANIES

DECEMBER 31, 1931

Liabilities

Current Liabilities:			
Accounts payable including sundry accruals		$15,297,830.43	
Dividends payable on subsidiary companies' preferred stocks		46,477.50	
Reserve for Federal income tax		2,995,020.41	
			$ 18,339,328.34
Reserves for Contingencies			790,377.53
National Dairy Products Corporation 5¼% Gold Debentures due 1948:			
Issued		$82,040,500.00	
Less—Retired	$5,122,000.00		
Held in treasury	1,472,000.00	6,594,000.00	
			75,446,500.00
Subsidiary Companies' Funded and Mortgage Debt:			
Southern Dairies, Inc. and its subsidiaries:			
Collateral trust 7% gold bonds due 1934		$ 1,166,000.00	
Other subsidiary companies:			
Real estate mortgages, secured serial notes and other indebtedness		304,224.90	
			1,470,224.90
Minority Stockholders' Interest in Capital and Surplus of Subsidiary Companies:			
Southern Dairies, Inc. and its subsidiaries:			
Preferred stock	$814,500.00		
Common stocks	913,173.13	$1,727,673.13	
Other subsidiary companies:			
Preferred stocks	$696,694.84		
Common stocks	114,448.34	811,143.18	
			2,538,816.31
Capital Stock and Capital Surplus:			
Preferred stock Class A 7% cumulative:			
Authorized—69,244 shares of $100 each			
Issued less retired—61,844 shares		$ 6,184,400.00	
Preferred stock Class B 7% cumulative:			
Authorized—50,000 shares of $100 each			
Issued less retired—49,628 shares		4,962,800.00	
Common stock and capital surplus:			
Common stock—			
Authorized—10,000,000 shares without par value.			
Issued—6,263,150 shares at stated value		51,331,590.00	
Capital surplus, per statement attached		16,818,981.38	
			79,297,771.38
Earned Surplus, per statement attached			42,667,241.70
			$220,550,260.16

its subsidiary companies for the year ending December 31, 1931, and we report that, in our opinion, the above the company's financial position at December 31, 1931 and the results of the operations for the year.

PRICE, WATERHOUSE & Co.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the Year Ending December 31, 1931

Profit from operations after deducting all operating charges including depreciation $10,092,947.11 and repairs and maintenance $10,256,121.79		$27,748,881.68
Other income:		
Discount on redemption of funded debt	$ 98,193.75	
Purchase discounts, etc	551,748.13	
Dividends and interest received	633,696.41	
Rents and royalties	263,423.49	
Miscellaneous other income	609,206.59	
		2,156,268.37
		$29,905,150.05
Deduct:		
Interest other than on funded debt of National Dairy Products Corporation	$ 223,534.60	
Dividends on preferred stocks of subsidiary companies held by the public	201,066.00	
Interest on funded debt of National Dairy Products Corporation	4,050,505.87	
		4,475,106.47
Profit before provision for Federal income tax		$25,430,043.58
Provision for Federal income tax		2,882,070.06
Net profit for the year		$22,547,973.52

Note: The net profit, after deducting dividends of $782,614.00 on parent company's preferred stocks, was equivalent to $3.47 per share on 6,263,150 shares common stock outstanding.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the Year Ending December 31, 1931

Earned surplus at December 31, 1930, per published report for that year		$37,369,222.41
Add—Net profit for 1931, per statement attached		22,547,973.52
		$59,917,195.93
Deduct—Provision for exchange loss on net current assets of foreign subsidiary companies at December 31, 1931		282,475.43
		$59,634,720.50
Deduct—Dividends paid:		
On preferred stocks at $7.00 per share	$ 782,614.00	
On common stock at $2.60 per share	16,184,864.80	
		16,967,478.80
Earned surplus at December 31, 1931, per balance sheet		$42,667,241.70

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

For the Year Ending December 31, 1931

Capital surplus at December 31, 1930, per published report for that year		$26,495,640.76
Add:		
Net tangible assets attaching to minority stockholders' shares acquired during the year in excess of stated value of company's common stock issued		29,089.67
Discount on Class A preferred stock purchased and retired		1,232.00
		$26,525,962.43
Deduct:		
Goodwill purchased written off	$7,323,642.54	
Adjustments from disposal of plants and equipment of subsidiary companies, as of dates of acquisition	1,965,873.60	
Other corrections of subsidiary companies' net assets, as of dates of acquisition	328,576.00	
Organization expenses incurred in purchase of subsidiary companies	88,888.91	
		9,706,981.05
Capital surplus at December 31, 1931, per balance sheet		$16,818,981.38